

# Knock-on impact of delays across the budget cycle

## Background

It is December 2017 and President DT of Capaberg is approaching the end of his third and final four-year term. Until three years ago, the executive presented its budget proposal on time every April, and it had become quite an elaborate occasion. During the official presentation, a press conference was held with a question-and-answer session. Two weeks later a series of open consultations was held, to which officially registered civil society organisations (CSOs) were invited. CSOs were also encouraged to submit written comments, which would become part of the official budget hearing record. In Capaberg, the Office of the President is very powerful, and President DT's support is essential to the effectiveness of the engagement.

During the years that this process ran successfully, the government, CSOs and media developed a decent working relationship that allowed for frank communication on some resource allocation questions. GDP growth was maintained at a relatively healthy 2.7 to 4.2 per cent. A strong commissioner general heading both the medium and large taxpayer's office, increased revenues from US\$695 million in 2008 to US\$1.198 billion in 2017.

Three years ago, President DT had a minor stroke and, over time, the vice president and the first lady have stepped in as advisors across the president's portfolio. Since then, there have been increasing delays in the budget formulation process – the 2017 executive budget proposal was received at the end of May, two months after the start of the fiscal year in March, and the final budget was not approved until the middle of June. This effectively meant that the government was operating under a continuing resolution (1/12 of the approved prior year's budget), beyond the first quarter of the year. By the time the final budget was uploaded onto the integrated financial management information system (IFMIS), almost five months had passed.

In general, the perception is that line ministries and the Ministry of Finance have been preparing well-structured budget submissions, which are not systematically incorporated into the executive budget proposal and are almost completely undetectable in the final approved budget. As a result, line ministries are ill prepared to initiate work once the budget is finalised.

Since the end of January 2017, there have been increasing reports in the media of problems in infrastructure project delivery. Certain steps in the procurement process cannot legally begin until the budget is finalised and a number of high profile road and rural electrification projects were far behind schedule at the start of the rainy season when work had to cease.

In addition to these highly visible delivery issues, there are concerns about the systemic delivery of services in other sectors. A household survey, which is conducted every five years by the statistics bureau, was completed in 2017. It showed the proportion of 10-year-olds in grade-appropriate schooling improving slightly from 34 to 38 per cent, the maternal mortality rate dropping from 1 172 to 984 (still one of the highest in the region) and no change in the rate of employment in the formal sector for men and women between the ages of 18 and 30.

Budget cuts have meant the monitoring and evaluation team responsible for assessing recurrent and project expenditure at the line ministry level now only undertakes desk-based reviews, which limits the actual spending entity performance data available.

The last three years have seen two large projects included in the executive budget proposal. The first, which was passed in 2015 and is currently nearing completion, is for a resort and conference centre, to be owned and operated by the government, with the capacity to hold events with up to 6 000 delegates. It was funded through an annual government contribution of US\$75 million and a non-concessional loan for which the amount and conditions have not been made public. The conference centre received little scrutiny during the budget process.

This year, the executive budget proposal contained an item proposing the establishment of a new faculty of governance at Capaberg University in honour of President DT. Initial construction costs have been estimated at US\$70–80 million. No estimate has been provided of the running costs or when the project is scheduled to be completed.

## The case

It is now February 2018 and President DT and his party have lost the election. The inauguration will not be held until April 2018 but discussions have begun within the Ministry of Finance about what can be done to help the next administration get Capaberg's government budget and service delivery performance back on track.

The vice president and first lady remain powerful and uncommitted to a broader engagement agenda; thus, for now, the discussions remain quite technical and focused on developing options for the next finance minister to improve both the timeliness of the budget and the interactions with external stakeholders should they wish to re-engage.

The soon to be appointed president, President-Elect FK, is a former telecoms executive whose election platform was about bringing rigour and transparency into the management of government finances. Reports are that he has an excellent understanding of what systems need to deliver and how to build teams that can make strategic decisions. However, he is relatively inexperienced in negotiating the political dynamics of Capaberg.

President-Elect FK has appointed you temporarily to lead the taskforce working with the current administration to prepare a stakeholder mapping with specific emphasis on improving the timeliness of the budget and being open to external scrutiny. This will inform directions to the cabinet and other government offices, but are to be confidential to the Office of the President.

In this mapping, President-Elect FK has asked you to include the following:

- A diagnosis of different causes of slowdowns and crowding out in the internal processes, and which stakeholders impact them. For example, you have begun to receive feedback from the Ministry of Finance to the effect that spending entities no longer submit their priorities or provide a realistic picture of their previous year's performance as required by the public financial management law. Without this, the Ministry of Finance has little substantive information to inform the budget hearings. Spending entities, however, have found that over the years their work on preparing the budget information has been largely ignored in what comes out in both the executive and final budget.
- An indication of incentives for co-operation and change in respect of the key stakeholders you have identified.
- Critical principles in designing an engagement strategy tailored to linking stakeholder interest in the budget process with improving the timeliness and transparency of the process.

Using the above, the Office of the President's team plans to identify what the roles of the different external actors are in holding the government to account for its performance, and how the Office of the President should engage with them.

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For information on the Collaborative Africa Budget Reform Initiative, or to obtain copies of this publication, please contact: CABRI Secretariat, PostNet Suite 217, Private Bag X 06, Highveld Park 0169, South Africa

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